

The complaint

Mr B has complained about his let property insurer HDI Global SE regarding a claim he made to it when his property was damaged by a water leak.

What happened

There was a leak from the flat above Mr B's property in June 2020. Mr B reported it straightaway but seemingly was given incorrect contact numbers and it was July before HDI's loss adjusting company (Q) was made aware of the claim. A loss adjuster visited on 1 August 2020 and found damage to the bathroom, bedroom and hall. But felt that water damage at low levels in the property had been caused by defective seals around the bath (an uninsured loss).

Q asked Mr B for quotes and evidence of the condition of the property prior to the leak. It spoke to Mr B's contractor who referred to damage in the kitchen as well. In December 2020 Mr B appointed a loss assessor to act for him and in January 2021 Q agreed to appoint a water claim and leak specialist to consider the damage in the flat. The specialist also felt the bath seals were an issue. This was disputed by Mr B's loss assessor and in June 2021 Q visited the property again. During the visit the adjuster asked the tenant for any evidence they had of the leak occurring, a video was presented showing large amounts of water flooding through the ceiling. Q then accepted that at least part of the low level damage had likely been caused by the leak and the claim progressed.

The loss assessor and Q negotiated the claim and a full and final settlement offer for the cost of works and lost rent was put forward by Q in July 2021, with repairs at the property completing in August 2021. The claim was recorded as fully settled by October 2021.

However, Mr B, having complained to this service in June 2021, told us that he was still out of pocket for emergency repairs. He said he wanted to return some rent back to his tenants by way of compensating them for having lived in an uninhabitable property for so long. And that he had lost rent for the two months, during the works, when they'd had to move into alternative accommodation. He said HDI should've moved the claim on, making a better offer of settlement sooner. And if it had the repairs would have been done that much sooner.

Our Investigator ultimately explained to Mr B that an award of compensation in respect of the tenants could not be made by this service. But he felt HDI should be paying a loss of rent claim for the period the tenants were out of the property, as well as reimbursing Mr B's costs incurred for emergency repairs. He also felt HDI should be paying Mr B £750 compensation for the upset he had been caused.

Mr B indicated he was satisfied with most of our Investigator's findings. But said it seemed unfair that compensation which could, and would, be paid to the tenants could not be awarded – after all he'd have been making a much more expensive claim and complaint about lost rent if they had left.

HDI said it didn't agree with the findings. It said it had settled the claim in full, including for lost rent.

The complaint came to me for an Ombudsman's consideration. I felt it should be upheld regarding Mr B's outlay for emergency work and compensation. But, given HDI's response to our Investigator's view, I needed review the position regarding lost rent. So I issued a provisional decision. My provisional findings were:

"Lost rent for period of works"

Mr B said he lost two month's rent whilst the tenants were moved out for works. The policy would entitle Mr B to settlement in that respect because it covers rent lost, as well as alternative accommodation costs incurred, for the period of works where the property is uninhabitable (not just because the property is uninhabitable). And it was. But HDI has shown us that this loss – for two month's rent lost during the period of works – for Mr B has already been settled, although I appreciate that wasn't the case when Mr B first made his complaint. As it has been settled though, there is nothing more for me to say on this point.

Rent rebate/compensation for tenants

The tenants remained in the property from the point of the leak until reinstatement works began in summer 2021. They paid full rent to Mr B during that time even though their home was in an unsatisfactory and damaged state. Mr B would like to be able to compensate them by returning some rental costs to them.

I can only make awards for non-financial and financial loss caused to or incurred by the eligible complainant – Mr B. So I can't award compensation for the tenants – who are not eligible complainants, either directly or to Mr B for him to pass on to them. And whilst I can understand that Mr B may now want to provide a rebate to the tenants, he did not do so during the claim, so he has not suffered a financial loss in this respect.

That's not to say that I, or any other ombudsman at this service, would automatically make an award to Mr B in respect of any financial loss he incurs, should he now choose to pay something to his tenants. The loss itself wouldn't automatically entitle him to an award for the sum in question. Rather the details available at the time about the loss incurred would have to be considered against such things as relevant policy terms, any claim activity such as settlement agreements reached, and whether or not the insurer had failed the complainant in a way that caused them to incur the loss. I add this here to ensure that Mr B understands that his incurring a loss will not automatically mean he will be entitled to reimbursement of his outlay, either directly from HDI, or as part of a further complaint made to this service.

Emergency costs

Mr B has said he incurred costs when the leak occurred. I don't doubt what he says in this respect. There was clearly a lot of water coming through the ceiling in the area of the light fixture and Mr B has said he paid £300 for an electrician. Whilst I've not seen the invoices, this would often be the type of charge I'd expect to be covered under a claim. And I've seen nothing in the policy or claim activity that makes me think HDI shouldn't cover this cost here.

I know HDI settled for the restoration work; initially having put forward its settlement offer, including a payment for loss of rent, as being in full and final settlement of all liabilities under the claim. But I think that by the time the settlement was agreed, with substantial further negotiations having taken place, HDI appeared to be offering settlements separately for different aspects of the claim. The settlements finally made appear to be for restoration works and loss of rent. I haven't seen that the emergency costs, incurred by Mr B at the start of the claim before restoration work began, were considered by it. And given the further negotiations which, effectively, created a step away from the "full and final" offer originally

put forward, I think I can fairly require HDI to settle this loss. If Mr B presents the invoice/s in response to this decision, it should now reimburse the outlay. And if Mr B can show this was sent to Q or HDI previously, it will have to add interest to the amount paid from the date it was paid until settlement is made.*

Claim handling

I think HDI failed Mr B in this respect. I think there are four key things it got wrong. And if it hadn't the course of the claim would have much improved with it progressing to settlement many months before it ultimately did.

The four key issues which I perceive as failures by HDI to handle this claim in a reasonable manner are:

- Q was told at the outset that a lot of water came through the ceiling. But its adjuster visiting in August 2020 didn't seem to be aware of that or take it into account.*
- Q was told in August, after the adjuster's visit, that there was other damage at the property not considered or noted by the adjuster. But no action in respect of the other damage occurred until January 2021 when the specialist was appointed.*
- The upstairs tenant wasn't spoken to with a view to ascertaining the nature of the leak until sometime around March 2021. At which point it was confirmed to have been from a water supply pipe (under mains pressure).*
- Mr B was asked for evidence of the property's condition before the leak. But seemingly neither he nor the tenant, until June 2021, were asked for evidence of the leak occurring.*

I also note, in more general terms, that in Q's June 2021 report suggestions are made about various actions that could be undertaken to validate this claim. But I simply can't see why it took so long for Q/HDI to accept that it needed to act in respect of validating it. And it is clear to me, having identified the key failures above, that if HDI had taken some reasonable validation steps earlier in the claim, or even just taken proper note of the claim as reported, it would have known that substantial water entered the flat, sufficient to potentially cause damage at low levels. There were clearly other factors at hand causing issues within the flat – having seen the August report and that from the leak specialist, I don't doubt the bath seals were causing damage. But that didn't mean that HDI was reasonably not liable for other insured damage which had occurred. I think if HDI had handled things reasonably the claim would have progressed by the end of 2020, such that once Mr B had appointed his loss assessor in December 2020, the repairs could've commenced and completed in early 2021.

As it was, repairs only commenced in summer 2021, completing in the August. So the claim was delayed unreasonably by HDI by around seven months. I think Mr B was likely shielded a lot from the stresses of handling an unreasonably delayed claim like this as he had appointed loss assessors to handle things for him. But he was still aware that matters were unresolved and that the disputes over the claim continued. He was clearly mindful that, if things remained that way, that he would have to find the money for repairs. And he had to live during that time knowing that all the while his long-term tenants were suffering, that at some point they might understandably become uncooperative in respect of rent and/or leave. I don't doubt he was significantly worried during this time. I think £500 compensation is fairly and reasonably due."

HDI said it had nothing further to add. Mr B said he was still disappointed that his tenants would get nothing given what they'd been through. He reiterated that he had sent all relevant

details to HDI before and that the seals had been fine before the leak from the flat above. He provided a copy of the invoice for emergency work.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I understand Mr B's concern about his tenants. But I've explained why I can't make an award in respect of their distress and inconvenience.

I know Mr B feels that HDI ignored and/or lost evidence he sent to it. And that this delayed his claim. As I explained provisionally, I think HDI did fail Mr B in respect of this claim and, if it hadn't, it would have been resolved much sooner.

I'm aware that Mr B spent a lot of time trying to move this claim on and resolve it. There is always an amount of involvement needed from a policyholder in progressing claims. But clearly Mr B wouldn't have needed to have been as involved here if HDI had handled things better. I remain of the view though that £500 compensation is fairly and reasonably due for the upset Mr B was caused.

I note the invoice provided by Mr B. Our Investigator will pass it onto HDI with its copy of this final decision.

Putting things right

I require HDI to:

- Reimburse Mr B's outlay for emergency electrical work undertaken at the property in June/July 2020, this subject to the provision of invoices and evidence of payment being provided. And if proof is also provided showing the invoice/s were sent to Q or HDI before, interest* will also have to be added to the sum to be paid to Mr B from the date he paid the invoice/s until settlement is made.
- Pay Mr B £500 compensation for the upset it caused him.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs requires HDI to take off tax from this interest. If asked, it must give Mr B a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require HDI Global SE to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 October 2022.

Fiona Robinson

Ombudsman